

**Written Remarks of Amy Liu
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**“Make It in America: What’s Next?” Second Hearing
PANEL ONE: The American Economy Today**

Whip Hoyer, and fellow Congresswomen and -men, thank you for giving me the opportunity to participate in your hearing on what should come next in your important “Make It In America” initiative.

I co-direct a program at the Brookings Institution that is dedicated to helping cities and metro areas grow, compete, and prosper. We believe cities and metro areas matter, not only because they are the hubs of the global economy but because they are the places where most Americans call home or seek better opportunities. Since the recession, we have worked with public and private sector leaders in more than 30 metro areas and states on strategies to boost economic growth and opportunity. We have seen a recommitment to advanced manufacturing, such as in NE Ohio and Louisville-Lexington KY, sector-based skills and apprenticeships in MI, SC, and Chicago. There is a focus on emerging technologies in Syracuse, NY and Phoenix, AZ. And there are new exports and trade strategies taking off in regions as diverse as Portland, San Diego, Kansas City, and Atlanta.

Despite all of these innovative strategies, the work remains unfinished. Economic indicators point to the need for making sure all workers benefit from and contribute to the future economy.

As we do, the incidents in Ferguson and Baltimore serve as further reminders that we need to be honest about the role of race in improving economic mobility in this modern society.

To Make It In America, we believe the U.S. must build an advanced economy that works for all. To that end, I want to offer you three considerations today as you think about the next phase of your efforts. First, we ought to be explicit about the shared outcomes we want to generate as a result of our policies. Second, our policies should be responsive to the big structural changes in the economy that can help or complicate our task. Third, we believe a focus on advanced industries and opportunity industries can help pave the way toward an inclusive, advanced economy.

To start, what metrics matter as we work toward an advanced inclusive economy, that can inform the Make It In America initiative?

We have been asking the same question ourselves. Let me share with you our current thinking. We believe an inclusive, advanced economy must be succeeding at three levels--more Growth, more Wealth, and greater Inclusion.

Immediately after the recession, the emphasis had been on Growth, such as output growth and job growth. These still matter, especially when, according to the Hamilton Project at Brookings, the U.S. still faces a jobs deficit of about 3.5 million jobs as our job engine is still not keeping pace with the new entrants into the labor market. Getting closer to full employment creates greater demand for workers and puts upward pressure on wages. But as we track job numbers, we should focus on job quality. We need to know if our economy is producing enough family-sustaining jobs for our workers.

But we now need to put more emphasis on the other two categories. We need growth that results in more wealth and steadily improving living standards for people. We need to see rising output per capita, rising household incomes or rising average wages. But as we know from data generated by the Economic Policy Institute, the Council on Economic Advisors, and others, household incomes have not kept pace with economic growth, and where there have been income gains, they are being captured by the highest earners.

Lastly, we need greater inclusion. It's not enough that the broad population is better off, but that every segment of the population is experiencing improved living standards, whether by race, gender, or age. For instance, while the unemployment rate dropped to 5.7 percent by the end of 2014, unemployment remained high for blacks and Hispanics, at 10.8 percent and 6.6 percent respectively. The unemployment rate also remains untenably high for young adults.

In sum, the goal of an advanced economy like the U.S. should be to create more good jobs, more income, and shared opportunities if we are to prosper.

Second point today: Our path to achieving that vision of an inclusive economy is fraught with complexities. Big structural changes are afoot—in technology, globalization, and demography—that can help or thwart our efforts. Make It In America has been smart to focus on these big forces, such as the internet of things, the shifting nature of work, and the energy revolution. And I know members have been debating how to help workers and communities adjust to trade and globalization. I want to reinforce one other major structural change for you to keep in mind—changing demographics. One of our scholars, Bill Frey, recently released a book about the “**diversity explosion**,” underway in the U.S. As U.S. workers retire, they will be replaced with a majority minority workforce. The majority of school children today are children of color. By 2045, the Census predicts the US will be majority persons of color.

The challenge is two-fold: Most blacks and Hispanics today are less-likely to be college-educated, testing our ability to arm the future generation with the skills and education they need to succeed in a tech-savvy, global economy. Second, blacks are less upwardly mobile. Half of black Americans born poor stay poor; and middle class black children often slip down the income ladder, challenging the notion we've made enough progress by race and ethnicity.

We need to be deliberate about making sure our minority-driven labor force is a demographic advantage and a positive force to our future economy.

Third point: I want to briefly share with you two initiatives we are working on at Brookings that brings all of these elements together—building a growing, inclusive economy in the face of big macro forces—what we are calling advanced industries and opportunity industries.

Our team, led by Senior Fellow Mark Muro, has been working on an effort to refresh our **perspective** on the manufacturing sector. The relentless pace of innovation, the blurriness btw enterprises, such as manufacturing vs services, and the pervasive application of software and IT to every field, means there is no such thing as pure manufacturing. We now call a new set of sectors, the advanced industries. US advanced industries are technology-driven, globally relevant, and produce good jobs that are accessible to workers without a college degree.

In a recent report, we found the U.S. is home to 50 segments of advanced industries that cut across manufacturing, energy, and services. These industries range from electricity generation, to software and computer systems design to aerospace and auto manufacturing, and pharmaceuticals. These industries are “advanced” in they make relative high investments in R&D and employ high shares of scientists and engineers (STEM workers) who can translate research into commercial applications.

While advanced industries comprise about 9 percent of employment in the U.S., they generate twice their share in private sector GDP, produce 60 percent of U.S. exports, generate 80 percent of US patents, and invest more than 90 percent of the nation’s private sector R&D expenditures.

After decades of job loss, advanced industries have begun to add jobs. These are quality jobs. Over the past 30-40 years advanced industries, unlike the rest of the economy, have provided steady wage growth. These good jobs are also accessible jobs. Half of advanced industries jobs do not require a worker to have a college degree.

Despite the importance of advanced industries, U.S. R&D investments are slipping, falling behind competitors like Korea, Japan, and Germany. We face serious skills deficits, esp in STEM or STEAM, given our weakened vocational education system in this country. And finally, the industrial commons in regions –where advanced industries cluster and secure their inputs--have atrophied. In 1980, 50 of the country’s largest 100 metropolitan areas had at least 10 percent of their workforce in advanced industries. By 2013, only 23 major metros did. The really deep supplier bases and talent pools necessary to support advanced industry growth in our communities have eroded.

Do these things—commit to innovation, cultivate the STEM workforce, embrace the power of regional ecosystems—weand regions actually have a great chance to pick up on the new momentum coursing through U.S. advanced manufacturing.

Finally, I want to talk about some emerging work we are doing on opportunity industries, which complement advanced industries. As we strive to be the global leader in key sectors, we also know we need to tap a broader platform of industries, traded and local serving, to lift up prospects for millions of workers.

We are in the middle of piloting new analysis that we would generate for all metro areas in the country. In that, we are identifying:

- The number of families in a region that do not earn a living wage, including the education, race, age, and gender profile of the adults in these struggling households.
- The number of “good jobs” in the region, those that are accessible to workers without a college degree, offer benefits, and lead to family-sustaining wages, either now or in the future (given career pathways).
- The extent to which these good jobs are in industry clusters that are expanding/competitive and thus serve as durable foundations for quality job growth.
- And finally, the extent to which persons of color and other adults in struggling households are accessing these good jobs.

What we are learning in applying this analysis to one metro area in the south, is that hundreds of thousands of good jobs *do* exist for families without a college degree. But there may not be enough of those good jobs relative to demand; many of these good jobs exist in industries that are struggling to grow and stay competitive. And that young adults and workers of color are less likely to occupy these good jobs. The findings have implications for clusters strategies, the extent to which our training programs, high school CTE programs, and summer jobs programs are placing people into any jobs or good jobs that will lead to a living wage, in industries that will last. We also found that 50 percent of adults earning below a living wage, actually have jobs. We need to help low-wage workers in dead-end jobs move into jobs with earnings potential.

I hope my remarks today provide some ideas for how Making It In America can continue to help our economy grow, innovate, and provide meaningful opportunities for all workers.

Thank you.